

## Message Text

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ACTION PM-05

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 ACDA-07  
DODE-00 H-01 L-03 NSC-05 PA-01 PRS-01 SS-15  
IGA-02 ERDA-05 MC-02 IO-13 AF-10 ARA-10 /135 W  
-----129384 290706Z /16

R 281300Z JUL 77  
FM AMCONSUL GENOA  
TO SECSTATE WASHDC 1980  
INFO AMEMBASSY ROME  
AMCONSUL MILAN

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E.O. 11652: N/A  
TAGS: MASS, IT  
SUBJECT: ARMS TRANSFERS: TWO LIGURIAN DEFENSE INDUSTRIES  
REPORT FAVORABLE EXPORT SALES

REF: GENOA A-5, APRIL 22, 1977

1. OTO MELARA, THE ITALIAN STATE-CONTROLLED ARMS' MANUFACTURER AT LA SPEZIA, RECENTLY RELEASED ITS 1976 ANNUAL REPORT THAT SHOWS THE COMPANY EARNING PROFITS OF \$1.7 MILLION ON SALES OF \$82.9 MILLION AND NEW CONTRACT ORDERS FOR ITS CONVENTIONAL ARMAMENTS AND WEAPONS SYSTEMS TOTALLING \$138.6 MILLION. APPROXIMATELY 80 PER CENT OF THE NEW ORDERS, WHICH ASSURES OTO MELARA'S 2300 EMPLOYEES WORK THROUGH 1979, ARE FOREIGN MILITARY SALES TO ITALY'S NATO ALLIES, JAPAN, AND THIRD COUNTRIES. IT IS APPARENT FROM THE MESSAGE OF OTO MELARA'S CHAIRMAN, ING. GUSTAVO STEFANINI, THAT THE COMPANY HAS THE FULL BACKING OF THE GOI IN ITS ARMS SALES PROMOTION. STEFANINI DEFENDS FOREIGN MILITARY SALES FOR THE FAVORABLE IMPACT ON ITALY'S BALANCE OF PAYMENTS AND THE CONTINUED EMPLOYMENT OF A LARGE

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NUMBER OF SKILLED WORKERS. OTO MELARA'S SLIM PROFITS PROVIDE A CONTRAST TO THE HUGE DEFICITS REPORTED BY THE OTHER STATE-OWNED COMPANIES, SUCH AS ITALSIDER AND ANSALDO, WHICH DOMNATE LIGURIA'S ECONOMY.

2. FOR THE MOST PART, THE PUBLIC AND PRESS HAVE PAID LITTLE ATTENTION TO OTO MELARA'S FOREIGN MILITARY SALES. RECENTLY,

THE PRESS CARRIED ARTICLES THAT LIBY MAY HAVE SURREPTIOUSLY OBTAINED AN UNDISCLOSED NUMBER OF "LEOPARD" TANKS MANUFACTURED BY OTO MELARA FOR THE ITALIAN ARMY UNDER FRG LICENSE. COMPANY SPOKESMEN DENY ANY SUCH SALE TO LIBYA AND THE INCIDENT FADED FROM THE HEADLINES. EVEN THOUGH GENOA'S PSI DAILY, IL LAVORO, HAS FOCUSED SOMTENTION ON THE ADVERSE CONSEQUENCES OF OTOA MELARA'S FOREIGN SALES REGIONAL PSI HAVE TAKEN A PRAGMATIC POSITION ON THE ISSUE. REGIONAL COUNCIL PRESIDENT ANGELO LANDI, A LA SPEZIA NATIVE, RECENTLY TOLD THE PRESS THAT THE PUBLIC MUST ACCEPT THE FACT THAT IF ARMS MANUFACTURERS EXIST, THEN IT IS ONLY FAIR TO PERMIT OTO MELARA AND SIMILAR MANUFACTURERS TO MARKET THEIR PRODUCTS ABROAD. IL LAVORO NOTES THAT THE PSI HAS SPONSORED LEGISLATION CALLING FOR PARLIAMENTARY CONTROL OVER FUTURE ARMSTRANSFERS. ONE CASE THAT IL LAVORO WOULD LIKE EXAMINED IS THE ANNOUNCED SALE OF OTO MELARA'S 125/54 COMPACT NAVAL GUN SYSTEM TO AN "UNIDENTIFIED" SOUTHERN AFRICAN COUNTRY.

3. IN A RELATED MATTER, THE FIRST OF THE ITALIAN NAVY'S NEW 2400-TONN "LUPO" CLASS FRIGATE,WHICH IS ARMED WITH OTO MELARA WEAPON SYSTEMS, IS NOW UNDERGOING SEA TRIALS AND SCHEDULED TO ENTER SERVICE IN EARLY FALL. THE ITALIAN NAVY HAS ORDERED THREE MORE "LUPO" FRIGATES. PERU AND VENEZUELA HAVE ALSO ORDERED TEN OF THESE MODERN VESSELS. THE FIRST OF THEFOUR PERUVIAN FRIGATES IS NOW BEING OITTED IN LA SPEZIA, AND CONSTRUCTION HAS RECENTLY STARTED ON THE FIRST OF THE LIMITED OFFICIAL USE

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SIX VENEZULAN VESSELS. AT A RECENT PRESS CONFERENCE, THE BUILDERS OF THE "LUPO" FRIGATES, THE CANTIERI NAVALI RIUNITI (CNR - ANOTHER STATE CONTROLLED COMP), ECHOED OTO MELARA'S LINE IN STRESSING THE IMPORTANCE OF FOREIGN MILITARY SALES TO ITS ACTIVITIES. CNR, WHICH IS WAGING A VIGOROUS SALES CAMPN IN HOPES OF WINNING FOLLOW-ON ORDERS FRM MIDDLE EASTERN, PACIFIC AND LATIN AMERICAN NAVIES, ESTIMATES THAT THE SALE OF TEN FRIGATES TO PERU AND VENEZUELA IS WORTH DOLS 960 MILLION. THESE MILITARY CONTRACTS WILL KEEP CNR'S SHIPYARD AT RIVA TRIOSO, AND GENOA, ACTIVE THROUGH THE EARLY 1980'S.

COMMENT: ALTHOUGH THE MAJORITY OF THE 4000 PLUS WORKERS EMPLOYED AT CNR AND OTO MELARA BELONG TO THE CGIL, THE PCI HAS REMAINED SILENT ON THE PRACTICE OF STATE-OWNED INDUSTRIES TO ENGAGE IN FOREIGN MILITARY SALES. THE PCI AND ITSUNIONS ONLY RECOGNIZE THAT SUCH ARMS TRANSFERS ARE A NECESSARY EVIL FOR THE MAINTENANCE OF FULL EMPLOYMENT IN A HIGHLY COMPETATIVE SECTION OF LIGURIAN INDUSTRY.DISCIULLO

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
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**Disposition Approved on Date:**  
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**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977GENOA00390  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
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**Reference:** 77 GENOA A-5  
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**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
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**TAGS:** MASS, IT  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/91f38662-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009